

Message Text

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TAGS: ENRG, JA, SU, EEWT

SUBJ: JAPAN-SOVIET ECONOMIC COOPERATION MEETING

REF: MOSCOW 7780

SUMMARY: EXECUTIVE COMMITTEE MEETING OF JAPAN-SOVIET ECONOMIC COOPERATION COMMITTEE HELD LAST WEEK IN TOKYO SAW FEW CONCRETE RESULTS, BUT BOTH SIDES SEEMED TO ACCEPT CURRENT SLOW PACE OF SIBERIAN JOINT DEVELOPMENT PROJECTS.

1. EMBOFF DISCUSSED WITH KEIDANREN OFFICIALS RESULTS OF MEETING OF JAPAN-SOVIET ECONOMIC COOPERATION COMMITTEE EXECUTIVE COMMITTEE HELD IN TOKYO JUNE 9-14. LEADING JAPANESE PARTICIPANTS WERE FORMER KEIDANREN CHAIRMAN UEMURA, JAPAN CHAMBER OF COMMERCE PRESIDENT NAGANO, TOKYO GAS PRESIDENT ANZAI, AND PRESIDENT OF JAPAN OVERSEAS DEVELOPMENT CORP. IMAZATO. SOVIET SIDE WAS REPRESENTED BY FOREIGN TRADE MINISTRY VICE MINISTER SEMICHASTONOV, ASIAN COUNTRIES TRADE BUREAU CHIEF SHIRAYEV AND MORDIVINOV OF

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GOSPLAN. MAIN PURPOSE OF THE MEETING WAS TO REVIEW

PROGRESS ON JOINT SIBERIAN RESOURCE DEVELOPMENT
PROJECTS AND TO SET THE
STAGE FOR FULL JOINT COMMITTEE MEETING TO BE HELD IN
TOKYO NEXT YEAR.

2. WHILE ALL PROJECTS WERE DISCUSSED, INTEREST CENTERED
ON YAKUTSK NATURAL GAS PROJECT. SEMICHASTONOV TOLD
JAPANESE THAT SOVIET AND US PRIVATE BANKS WERE IN FINAL
STAGES OF NEGOTIATIONS ON \$100 MILLION FOR EXPLORATION
AND INDICATED SOVIETS WOULD WANT TO DISCUSS FINALIZING
JAPANESE CREDITS AS SOON AS NEGOTIATIONS WITH THE US
ARE CONCLUDED. (A RUMOR THAT US AND SOVIETS WERE NEAR
AGREEMENT HAD ALREADY BEEN CIRCULATING IN TOKYO).
JAPANESE REPLIED THAT THEY WOULD NEED TIME TO STUDY
TERMS AND CONDITIONS OF US CREDITS GRANTED, BUT WOULD
BE PREPARED TO ENTER INTO SERIOUS DISCUSSIONS AT AN
EARLY DATE. RESPONDING TO EMBOFF'S QUESTION AS TO
WHETHER US EXIM BANK CREDITS WERE A PRECONDITION FOR
JAPANESE CREDITS, KEIDANREN OFFICIAL SAID YAKUTSK PRO-
JECT IS DIVIDED INTO TWO PHASES--EXPLORATION AND DE-
VELOPMENT--AND THAT JAPANESE HAD INDICATED TO SOVIETS
THAT LACK OF U.S. EXIM BANK PARTICIPATION IN EXPLORATION
PHASE WOULD BE NO BAR TO JAPANESE PARTICIPATION.
JAPANESE FURTHER PROPOSED THAT SOVIETS SEND A RESPONSIBLE
OFFICIAL TO JAPAN TO DISCUSS CREDITS IN MORE DETAIL BEFORE JAPAN
EXIM BANK PRESIDENT SUMIDA LEAVES FOR OVERSEAS TRIP IN
MID JULY. KEIDANREN OFFICIAL NOTED THAT PARTICIPATING
IN EXPLORATION PHASE DID NOT COMMIT ANY OF THE PARTIES
TO THE DEVELOPMENT PHASE, WHICH WOULD BE OF VASTLY
GREATER MAGNITUDE. HE REITERATED THAT KEY REMAINS WITH
US-SOVIET CREDITS: JAPAN WOULD NOT PARTICIPATE IN
EVEN EXPLORATION PHASE OF YAKUTSK PROJECT WITHOUT SOME
FORM OF US INVOLVEMENT, WHETHER PRIVATE OR GOVERNMENTAL.

3. BOTH SIDES ALSO AGREED TO PRESS FOR EARLY START
ON GEOPHYSICAL SURVEY OF CONTINENTAL SHELF AROUND
SAKHALIN ISLAND. KEIDANREN OFFICIAL COMMENTED, HOWEVER,
THAT GULF OIL COMPANY APPEARED LESS ENTHUSIASTIC ABOUT
SAKHALIN THAN FORMERLY AND OBSERVED THAT IF SURVEYING
BEGAN THIS SUMMER IT WOULD BE WITH LESS SOPHISTICATED
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EQUIPMENT SUPPLIED EITHER BY THE SOVIETS OR CHARTERED
BY JAPANESE FROM A THIRD PARTY. KEIDANREN OFFICIAL
ALSO CLAIMED RUSSIANS ARE INSISTING ON A BARE HULL
CONTRACT UNACCEPTABLE TO GULF (SEE REFTTEL), BUT
GULF REPRESENTATIVE SUBSEQUENTLY TOLD EMBOFF THE
PROBLEM LIES LESS WITH SOVIET DEMANDS THAN WITH JAPANESE
UNWILLINGNESS TO MAKE DEAL COMMERCIALY ATTRACTIVE TO
GULF.

SIMILARLY GULF STATES IT WAS PREPARED TO PROVIDE SEMI-SUBMERSABLE RIG NOW UNDER CONSTRUCTION IN JAPAN FOR DRILLING OPERATIONS NEXT YEAR BUT WAS UNABLE TO REACH CONTRACT AGREEMENT WITH JAPANESE. GULF ALSO DENIED JAPANESE CONTENTION THAT GULF/SOVIET BILATERAL DEAL IS IMMINENT, ASSERTING THAT SOVIETS HAVE YET TO COME UP WITH A COMMERCIALLY ATTRACTIVE OFFER. ON THE OTHER HAND, HILL OF GULF (V. PRES. FOR EXPLORATION) PLANS TO CONTINUE CONTACTS WITH SOVIETS IN AN EFFORT TO ARRIVE AT AGREEMENT.

4. VRANGLE PORT CONSTRUCTION, YAKUTSK COAL, SECOND FOREST RESOURCES, AND INDUSTRIAL PULPWOOD PROJECTS WERE REPORTED TO BE PROGRESSING SATISFACTORILY, AND SOVIETS AGREED TO A JAPANESE REQUEST TO DISPATCH ON-SITE SURVEY TEAM LATER THIS YEAR. ON THE OTHER HAND, BOTH SIDES AGREED TO DROP TYUMEN PROJECT FROM NEXT YEAR'S AGENDA, THUS FORMALIZING JAPAN'S NEGATIVE RESPONSE MADE AT MEETING IN MOSCOW LAST NOVEMBER.

5. COMMENT: ALTHOUGH COMPLAINING ABOUT SLOW PACE OF JOINT SIBERIAN RESOURCE DEVELOPMENT PROJECTS, JAPANESE SEEM CONTENT TO KEEP NEGOTIATING LINES OPEN WHILE WAITING FOR DEVELOPMENTS IN US-SOVIET RELATIONS TO MATURE. IF SAKHALIN PROJECT IS ANY INDICATION, HOWEVER, US-JAPANESE COOPERATION IN SIBERIA MAY ENCOUNTER ROUGHER SAILING THAN ORIGINALLY ANTICIPATED. WHILE U.S. FIRMS ARE INTERESTED FIRST AND FOREMOST IN RETURN ON INVESTMENT, JAPANESE REGARD SIBERIAN PROJECTS PRIMARILY AS IMPORTANT ELEMENTS IN NATIONAL POLICY OF DIVERSIFYING SOURCES OF RAW MATERIALS AND ENERGY. COMMERCIAL VIABILITY THUS FREQUENTLY TAKES BACK SEAT, ALTHOUGH THERE IS A LIMIT TO WHAT EVEN LIMITED OFFICIAL USE

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THE JAPANESE WOULD OR COULD PAY.
HODGSON

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